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COMMISSION ON TRANSNATIONAL CORPORATIONS
Intergovernmental Working Group of
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Item 4 of the provisional agenda*

PROGRAMME OF WORK OF THE INTERGOVERNMENTAL WORKING GROUP OF EXPERTS ON INTERNATIONAL STANDARDS OF ACCOUNTING AND REPORTING: REVIEW OF IMPORTANT CURRENT DEVELOPMENTS AT THE NATIONAL LEVEL IN THE FIELD OF ACCOUNTING AND REPORTING BY TRANSNATIONAL CORPORATIONS, ON THE BASIS OF DOCUMENTATION RECEIVED BY THE UNITED NATIONS CONFERENCE ON TRADE AND DEVELOPMENT FROM (i) MEMBER STATES, (ii) INTERGOVERNMENTAL ORGANIZATIONS AND (iii) NON-GOVERNMENTAL ORGANIZATIONS

Review of important current developments at the national level in the field of accounting and reporting by transnational corporations

Report of the UNCTAD secretariat

Addendum

SUMMARY

This report contains two additional country replies on current accounting developments. They were received too late to be included in the main body of the report.

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I. CHINA

1. The following legal requirements were adopted in China during 1992 and 1993:

(1) Accounting Standards for Business Enterprises (approved by the State Council and promulgated by the Ministry of Finance on 30 November 1992).

(2) The Accounting Law of the People's Republic of China (revised and adopted on 29 December 1993 at the Fifth Session of the Standing Committee of the Eighth National Peoples' Congress).

(3) The Companies Act (adopted on 29 December 1993 at the Fifth Session of the Standing Committee of the Eighth National Peoples' Congress).

(4) Standards of Contents and Formats of Information Disclosure by Public Companies - No. 1: Contents and Formats of Prospectuses (promulgated by the China Securities Regulatory Commission on a trial basis on 10 June 1993).

(5) Implementation Rules for Information Disclosure by Public Companies (promulgated by the China Securities Regulatory Commission on a trial basis on 10 June 1993).

(6) Letter on the Implementation of Accounting Systems for the Companies Listed and to Be Listed on the Stock Exchanges and the Quotations Trading Systems (issued by the China Securities Regulatory Commission on 30 August 1993).

(7) Standards of Contents and Formats of Information Disclosure of Public Companies - No. 3: Contents and Formats of Annual Reports (to be promulgated shortly).

2. Accounting and reporting issues being considered currently for standard-setting include:

(1) Consolidated financial statements;

(2) Accounting for income taxes;

(3) Accounting for borrowing costs;

(4) Accounting for the effects of foreign exchange rates;

(5) Accounting for retirement benefits costs;

(6) Accounting for government grants;

(7) Accounting for leases.

3. In 1993 the Ministry of Finance engaged an international firm of professional accountants for consulting services on the development of accounting standards. At the same time, a local working group of experts from professional firms, universities and the Government was formed to advise the consultants and provide comments on accounting standards.

4. The Government publishes the conclusions and recommendations of ISAR in a nationwide magazine entitled "Accounting Research". Some of the conclusions and technical reports of ISAR have been taken into consideration in the development of accounting regulations and standards.

II. INDIA

5. It has been decided to make accounting standards mandatory in a phased-in manner. Two Accounting Standards, AS-4: "Contingencies and events occurring after the balance sheet date", and AS-5: "Prior period and extraordinary items and changes in accounting policies", have been made mandatory in respect of financial statements prepared for periods on or after 1 January 1987. Five more Accounting Standards have been made mandatory in respect of accounts prepared for periods commencing on or after 1 April 1991. These are:

(1) AS-1: Disclosure of accounting policies;

(2) AS-7: Accounting for construction contracts;

(3) AS-8: Accounting for research and development;

(4) AS-9: Revenue recognition;

(5) AS-10: Accounting for fixed assets.

6. The list of statements which are mandatory for corporate accounting are the following:

(1) Statement on auditing practices;

(2) Statement on payments to auditors for other services;

(3) Statement on manufacturing and other companies (Auditor's Report) order, 1975 (issued under Section 227 (4A) of the Companies Act, 1956);

(4) Statement on qualifications in the Auditor's Report;

(5) Statement on Standard Auditing Practices (SAP-1): "Basic principles governing an audit";

(6) Statement on Standard Auditing Practices (SAP-2): "Objective and scope of the audit of financial statements";

(7) Statement on Standard Auditing Practices (SAP-3): "Documentation";

(8) Statement on the responsibilities of joint auditors;

(9) Statement on the treatment of retirement gratuity in accounts;

(10) Statement on the amendments to Schedule VI of the Companies Act;

(11) Statement on accounting for foreign currency translation.

7. Accounting Standard 12: "Accounting for government grants", will become mandatory in respect of accounts for periods commencing on/after 1 April 1994.

8. The following accounting issues are being considered for standard-setting:

(1) AS-11: Accounting for the effects of changes in foreign exchange rates;

(2) Accounting for retirement benefits in the financial statements of the employer;

(3) Accounting for "Guidance Note on Audit of relief under the Income Tax Act for exports.

III. MEXICO

9. In Mexico the following accounting bulletins were issued during the past two years:

(1) Bulletin D-3: Accounting for Work-related Obligations. Such obligations have been defined as including:

(a) Direct remuneration paid for work performed during the period of employment;

(b) Remuneration after retirement paid to former workers and their beneficiaries;

(c) Net pension costs, obligations in respect of projected benefits and other obligations related to the assets of pension plans;

(d) Pension plan period cost adjustments, such as for returns from the assets of the plans, modifications of the plans, variations in assumptions and adjustments based upon experiences.

(2) Bulletin B-8: Consolidated and Combined Financial Statements and the Valuation of Long Term Stock Market Investments. This bulletin covers the following areas:

(a) Preparation of consolidated financial statements;

(b) Preparation of combined financial statements;

(c) Accounting for long-term stock market investments and related matters;

(d) Valuation of long-term investments by the participation method;

(e) Valuation of other long term investments.

(3) Bulletin A-7: Comparability of Accounting Information. This bulletin addresses the following:

(a) Changes in accounting estimates;

(b) Changes in accounting principles;

(c) Errors in accounting;

(d) Special items;

(e) Accounting for discontinued operations.

(4) Bulletin A-8: This bulletin establishes that international accounting standards are supplementary to Mexican generally accepted principles of accounting.

(5) Bulletin A-10 (Amendments): This bulletin provides that statements of the results of operations may use actual transaction amounts rather than inflation-adjusted amounts if inflation is below 7 per cent in an accounting period.

10. Bulletins are also being considered on earnings per share and on the effect of subsequent events on financial statements.

11. In view of the formation of the trading bloc with the United States and Canada, Mexican representatives have joined a tripartite study group to compare generally accepted accounting principles in the three countries. This study includes the respective conceptual frameworks and similarities and differences in principles followed. The analyses will be useful in determining measures conducive to optimum and maximum harmonization of generally accepted principles of accounting in the region.

12. The conclusions and recommendations of ISAR are distributed to various departments in the Ministry of Finance. The Ministry also works closely with the Mexican Institute of Public Auditors. The recommendations of ISAR are considered to have been useful in expediting work on generally accepted accounting principles in Mexico.

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